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ABSTRACT

This summary of information on recurrent education examines three financing models, educational leave of absence, and two policy implications. The financing models analyzed are individual drawing rights, funding through intermediate enterprises, and individual entitlements for recurrent education. To determine the most effective approach to financing, the author examines each in terms of equity, responsiveness, flexibility, and efficiency. Western European educational leave of absence policies that might be integrated into a financing model are also examined. Two policy implications are discussed: that the need for recurrent education is hindered by present state and federal fiscal austerity measures and that states and the federal government must coordinate their effortrs in formulating recurrent education policies. A list of papers on recurrent education is provided. (PB)

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RECURRENT EDUCATION

Investing in a Lifetime of Working and Learning

by Susan J. Peters

Most education takes place early in an individual's career. Yet skills acquired early in life can become obsolete, especially in modern industrialized economies where the technical demands of work change rapidly. As a result, it is important to find ways to update obsolete skills so that individuals can remain valuable members of the workforce and the nation's economy can advance to its full technological capabilities. One proposed reform is that of recurrent education.

In its basic form, recurrent education intersperses educational opportunities over the lifetime of an individual in alternation with periods of work, leisure and retirement. Recurrent education can include everything from remedial education, occupational and job-training programs, postsecondary education, adult basic education, correspondence courses, and extension courses.

Recurrent education has two main features which distinguish it from other forms of education. First, it emphasizes the recurring pattern of adult education over a lifetime, in whatever form or method that it takes. Second, it is voluntary in nature, as opposed to compulsory. Recurrent education explicitly allows individual choice in amount, type and timing of educational opportunities.

Even though the general concept of lifelong learning and specific educational programs for adults has been around for a long time, recurrent education has become increasingly important in the last decade. Rapid changes in technology, particularly those resulting from the applications of micro-electronics, robotics, and bio-technology, have shifted occupational skill requirements over the last decade and promise even more shifts in the future. Such shifts pressure industry to keep its work force abreast of these changes through on-the-job-training and short courses of varying kinds.

The second major factor which has led to the increasing importance of recurrent education is the changing demographics of western industrialized nations. Traditionally, an expanding and increasingly educated work force could be relied upon to obtain the newer forms of training required to keep up with changes in technology. However, a decline in the size of youth populations, combined with an aging of the existing labor force, has created a need to retrain experienced workers rather than to rely on the capabilities of new entrants. Over three quarters of the people who will be working in the year 2000 are already in the labor force. In other words, in order to have a labor force that matches the economy's demands, it is absolutely vital that today's workers be retrained.

For these reasons, IFG and the Center for Educational Research and Innovation (CERI) of the Organization for Economic Cooperation and Development (OECD) in Paris have undertaken two conferences on financing policies for recurrent education. The resulting monographs constitute the first comprehensive attempt to examine financing alternatives for recurrent education policies that provide flexible and responsive retraining approaches.

Financing Criteria

Although many aspects of recurrent education have been discussed in literature and policy forums, the area of finance has been largely neglected. Any systematic approach for developing a system of recurrent education must address the issues of what kinds of resources will be required and how they will be provided. Yet, present approaches to lifelong and adult education in the U.S. are not only incomplete, but also largely piecemeal.

For example, in 1980, 50 million individuals in the U.S. participated in at least one type of postsecondary educational program at a total cost of $55 billion. But the programs and sources of funding were quite diverse, and included the armed forces, public employee training, CETA vocational training, education programs in prisons, programs of public community organizations, libraries and museums, colleges and universities, and programs for adults at elementary and secondary schools. Federal, state and local governments directly provided training to 25 million individuals. Another 15 percent of all participants received instruction provided by employers. The remaining enrollees attended courses offered at postsecondary educational institutions. Such an approach is highly complex and uncoordinated, with substantial overlap among different funding sources and agencies to provide educational services.

Before a framework for financing recurrent education can be designed, the very

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diverse objectives and interests of various constituencies must be taken into account. The three main purposes of recurrent education are

- the improvement of the work force for productive efficiency;
- the expansion of social participation and equity for disadvantaged groups;
- and the creation of changes in the delivery of education.

Examples of the first include the retraining of workers with obsolete skills. The second is characterized by the provision of training to women who are re-entering the labor market and the upgrading of skills of those whose opportunities are limited by their present capabilities. The third refers to the notion of making the post-secondary educational and training system more flexible as well as expanding the missions of traditional colleges and universities to encompass more adult participation.

Three Financing Models

Several models have been proposed for financing recurrent education. The models differ considerably in terms of institutional arrangements for finance, sources of support, and the focus of decisionmaking. Three financing models have been proposed: individual drawing rights; funding through intermediate enterprises; and individual entitlements for recurrent education. An analysis of these methods is helpful in determining what approaches to financing might work best in the U.S.

Individual Drawing Rights Model

The overall purpose of an individual drawing rights model for financing recurrent education is to maximize the individual's choice with regard to the timing and purpose of education, work, leisure, and retirement. Under this financing scheme, an individual could draw money from a personal social security account for further training, education, or even a period of respite from work and education. The amount of allotment would be determined year by year as individual contributions are credited and indexed for inflation at a constant value. The individual would be free to use this allotment for any purpose; however, drawing rights could not be unlimited. Some proportion would be saved for retirement, vacation and sick leave, for example. The allotment could also be used over the lifecycle of the individual.

Each individual would automatically be credit worthy, due to the compulsory nature of the social security fund. Young people could be given the right to draw on this fund, even if in the beginning this implies an overdraft. Unemployment insurance could still be used if individuals lost their jobs, so that the drawing rights would not be used up. However, drawing rights would be used for retraining or further education that might improve labor market prospects.

Incentives for using the fund for educational purposes could be given in the form of lesser debits to accounts or subsidies for uses that were considered particularly important from a social perspective. For example, individuals with poor employment credentials would be doubly disadvantaged if by virtue of their poor earnings records they also had to rely upon a meager social security accumulation for further training. Accordingly, special training subsidies might be provided. Special incentives could also be given to those who wish to use their drawing rights to train for occupations that are in growing demand or to look for other jobs if their present job is threatened.

The Parafiscal Model

The basic principle of the parafiscal model is that voluntary groups could establish their own recurrent education activities through state authorization and could collect fees or revenues from members as well as through public support. The basic unit for organizing and funding recurrent education under this plan would be the creation of associations with both public and private characteristics. Public characteristics would include taxing powers to obtain revenues from memberships as well as eligibility to receive funds from the state. Yet, they would be private organizations in the sense of being voluntary.

These intermediate associations, such as trade unions, employer associations, professional organizations and other voluntary groups, would finance recurrent education through a fixed membership charge and a user fee. A basic standard contribution would be fixed by each association in addition to a use fee the size of which could be determined by the marginal costs of participation in recurrent education. State grants and employer contributions could be set at the *net* costs, which are the costs minus the direct benefits. The net costs could be determined by such things as compensation for foregone salaries or incidental expenses of participation in recurrent education.

The content of the programs would reflect the interests of the individuals in each particular group. That is, the approach would be both flexible and responsive by permitting any group to be empowered by the state to raise revenues for the recurrent education of its members. The state could take a role in ensuring that disadvantaged groups are treated equitably and coordinate programs without actually controlling the financing.

The Entitlement Model

The entitlement model would provide a voucher to all individuals at the end of the compulsory period of education for recurrent educational purposes. The entitlement is composed of loans and grants, and its amount depends upon family income and assets at the time that the entitlement is provided. The individual would then "spend" the entitlement in any of a number of competing programs. The system would work much like the GI Bill of veteran's educational benefits in that individuals would be eligible to receive a specified amount of support for participation in recurrent educational activities.

The entitlements could be used for a wide variety of education and training programs, including colleges and universities, employer or union sponsored training programs, correspondence courses, apprenticeships, and other programs that would meet the requirements set out by the government for program eligibility. The exact nature of eligibility would be determined by the defined goals of recurrent education, and would include standards for student participation on the one hand and financial accountability, educational and training content, complaint procedures and information dissemination on the other hand.

Finally, the entitlement could be used over the lifetime of the individual for any combination of eligible programs up to the maximum amount allotted. The individual would also choose the timing of participation on the basis of career and other needs. Entitlement accounts could be permitted to accumulate interest to encourage careful consideration in alternating educational opportunities with work periods.

Summary of Finance Approaches

In order to summarize the finance approaches, it is important to emphasize the rationale and criteria for financing recurrent education. Industrialized nations are facing accelerated technical advances in tandem with declining labor force growth. This spotlights the need for an examination of patterns and systems of recurrent education. Advocates of recurrent education generally agree on four criteria as being essential to the design of a coherent system of recurrent education

and its finance:

- Equity refers to improving the social participation and reducing inequalities of disadvantaged groups through equalization of educational opportunities. Such a goal would compensate for labor market disadvantages and increase occupational and earnings mobility.
- Responsiveness refers to the need to encompass both traditional as well as nontraditional forms of education and to integrate them with existing forms of postcompulsory education and training in order to respond to the needs of citizens in all aspects of their lives, including leisure, work and social activities.
- Flexibility refers to the need to provide a diversity of programs and opportunities for recurrent education rather than fixed time patterns or rigid offerings.
- Efficiency refers to the need to use public and private resources in a way that will maximize the overall effectiveness of the recurrent educational system in improving worker productivity, reducing unemployed and underemployed workers, and meeting other goals.

The three models have both similarities and differences. Equity is addressed in each by setting the amount of the government subsidy in accordance with the economic advantages or disadvantages of the candidate as well as providing for a wide range of forms of recurrent education that provide access to all groups. Responsiveness is promoted by the incentives of both individuals and providers to undertake the forms of recurrent education that are desirable. Flexibility is aided by the diversity of potential offerings that are feasible as well as the permissiveness in time patterns over which recurrent educational benefits could be used. Finally, efficiency is promoted by the use of both public and private resources as well as incentives for individuals to make good decisions about recurrent education.

Differences revolve largely around the sources of financing and the nature of the decision unit as well as the range of decisions. For example, the drawing rights approach would utilize the social security system as its financing base. Since individuals would use their social security accounts for financing recurrent education, such decisions would be integrated in a framework of choices that included work, leisure, and retirement.

The parafiscal approach views the decisionmaking unit as that of a free association of individuals with a common set of recurrent educational needs. Members of such associations would pay largely for meeting those needs, but the association would be a fiscal unit for raising revenues from members and for planning, coordinating, and implementing recurrent educational programs in their interests. Private support would be supplemented by government subsidies for particular meritorious purposes such as training the disadvantaged or providing recurrent educational opportunities that have special social benefits.

The entitlement approach is really a postsecondary educational voucher system which builds upon both public and private resources. The grant portion of the entitlement would be a government subsidy, while the loan portion and individual supplementation of entitlements would be drawn from private resources. Like the drawing rights approach, the responsibility would be placed upon the individual to make appropriate recurrent educational decisions.

Educational Leave of Absence

One major element that is not discussed fully in these approaches is how individuals obtain the time to undertake major programs of recurrent education. Most of the emphasis in the models is placed on the direct costs of undertaking training such as tuition, fees, books, materials, equipment, and transportation. However, it is conceivable that training for a new career or other major need may also require considerable time away from one's present job. This might consist of a few hours a day over an extended period, a leave of several weeks or even months or years. In order to accomodate this need, several Western European countries have established policies of educational leave of absence that might be integrated into approaches to financing recurrent education.

Educational leaves of absence in Europe are generally taken when some skill retraining is needed beyond on-the-job-training, especially in economies with an aging labor force faced with rapid technological change. Moreover, this training may require the individual to be away from the workplace for a considerable period of time. Typically, educational leave schemes are tied to an overall labor market policy that has the expressed purpose of reducing unemployment and enhancing productivity growth. The period of leave is generally funded through legally mandated employer sponsored leave or social security entitlements.

Most schemes legislate a number of working days leave per year for the purpose of education and training and guarantee the right of the worker to return to the same job at an equal level of income as before. The length of leave may be as short as 150 hours over a period of several years, as in the case of Italy, or as long as two working weeks per year as in the state of Berlin. During this leave, the salary or wage is maintained by the employer. Workers may also be susidized with cost-of-living and/or training costs during their leave of absence. In other cases, the leave policy may take the form of an educational sabbatical every number of years.

The following papers on recurrent education are available from IFG. Please include payment with all orders.

79-B14	INDIVIDUAL ENTITLEMENTS FOR RECURRENT EDUCATION Henry M. Levin $2
80-A11	EFFECTS OF TAX LIMITATION MEASURES ON RECURRENT EDUCATION — ACTIVITIES IN CALIFORNIA Harold E. Geiogue $2
80-A12	RECURRENT EDUCATION ACTIVITIES AND FINANCE IN NEW YORK STATE Norman D. Kurland $2
80-A13	EMPLOYER-SPONSORED RECURRENT EDUCATION IN THE UNITED STATES: A REPORT ON RECENT INQUIRIES INTO ITS STRUCTURE G. B. Smith $2
80-A14	AN INVENTORY OF POST-COMPULSORY EDUCATION AND TRAINING PROGRAMS IN THE U.S. AND SOURCES OF SUPPORT Alan P. Wagner $2
81-A1	ASSESSING ECONOMIC FEASIBILITY OF ON-THE-JOB TRAINING David Stern $2
83-C2	ECONOMIC AND POLITICAL DIMENSIONS OF RECURRENT EDUCATION Henry M. Levin, Hans G. Schutze $2
83-C3	EDUCATIONAL LEAVE IN EUROPE Hans G. Schutze $2

In most cases, federal legislation regulates educational leave. France, for example, under its Continuing Vocational Training Act of 1971, requires firms employing more than 10 persons to devote at least .8% of their wage bill to educational spending. In some cases, such as West Germany, the state determines the terms of eligibility and participation.

European experience over the past decade indicates that some patterns of educational leave may not be optimal. First, overall use is relatively low, reflecting possibly the present dearth of promising recurrent educational opportunities and a fear on the part of some workers that they will lose their positions or advantages for promotion by being away. Although the legislation usually guarantees that this will not be the case, workers are often skeptical. Second, the pattern of use suggests that those at the bottom of the occupational hierarchy are least likely to take advantage of educational leave of absence. Rather it is skilled workers and professionals who seem to use it. Accordingly, it will be important to examine the obstacles and disincentives perceived by lower level workers to undertaking additional training through educational leave of absence.

Policy Implications

The details of these models for financing recurrent education have not yet been refined sufficiently to address issues of implementation. Yet two policy implications seem clear. The first is that the compelling need for a systematic approach to recurrent education in the U.S. and its financial requirements is running counter to the present fiscal stringencies at both state and federal levels. The second it that the states and federal government must coordinate their policies in the recurrent education arena.

Since the late 1970s, the federal budget squeeze and state taxing or spending restrictions have made it difficult to discuss seriously a new range of services that would be supported at public expense. Although one can argue that the economic health of the nation and the states is crucially dependent on the effectiveness and responsiveness of a system of recurrent education, such a system will represent a competing demand for scarce funds. Indeed, in states like California such recurrent educational activities as adult education and extension courses have been trimmed far more severely than conventional forms of postsecondary education. Thus, the need for expanding and coordinating recurrent education is clearly on a collision course with present budgetary stringencies.

To some degree this collision can be avoided by the fact that much of recurrent education will represent a "repackaging" of existing offerings and sources of support under an overall system that meets the four established criteria. That is, such a system can rely heavily upon existing financial provisions if they are brought together to avoid duplication of effort, overlap, fragmentation of efforts, and so on. It is even conceivable that such an initiative could reduce overlapping costs of administering the many programs sponsored by different levels of government and the private sector. Accordingly, not all of the costs of recurrent education would need to be raised from new sources. Further, to the degree that a more efficient system of recurrent education was able to reduce the dislocations of unemployment, it might reduce costs of unemployment insurance and public assistance. In any event, a concrete plan for organizing and financing recurrent education would have to explore the necessity for and source of new funding.

Finally, it will be necessary for states and the federal government to coordinate policies. Although most public postsecondary education is supported by the state governments, the federal government provides considerable student support through loans and grants and the GI Bill of educational benefits. Both state and federal governments presently support job training programs. Clearly this type of coordination will depend upon the nature of the plan. For example, any approach that builds on the existing social security type of system must necessarily be a federal one. However, if the states have to wait for federal action on recurrent education, it will be difficult for the more forward-looking ones to construct their own plans.

Accordingly, it is important to consider how present state efforts in this direction might be constructed to "piggy-back" on future federal efforts. This can be done if models are constructed that can be used by each state and that can also be interlocked with future federal initiatives in funding. Implementation of any financing model for recurrent education must thus consider the political and socio-economic climate, the motives and needs of individual workers and employers, and an overall system of finance, regulation and information. U.S. policy might incorporate paid educational leave schemes with overall policies for increasing productivity and reducing unemployment. This could be done with the participation of both state and federal governments. ■

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